

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2406 – SB 2482

March 7, 2014

SUMMARY OF ORIGINAL BILL: Adds language to existing law to clarify that art galleries that serve wine may not serve to patrons under 21.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (013605): Deletes all language after the enacting clause. Adds a new class of limited service restaurant license for restaurants with 0-15 percent of total sales consisting of food sales. Establishes the licensing fee at \$6,000. Requires any limited service restaurant licensee with food sales between 0 and 15 percent to prohibit the entry of anyone under the age of 21, unless accompanied by an adult. Requires such establishments to post signage indicating the prohibition. Prohibits limited service restaurants with 0-15 percent of total sales consisting of food sales from selling alcoholic beverages on sidewalks, streets, or alleys.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$415,000/FY14-15/ABC Fund
Exceeds \$557,500/FY15-16 and Subsequent
Years/ABC Fund

Assumptions for the bill as amended:

- There are approximately 100 limited service restaurants currently licensed as having food sales representing between 15 and 20 percent of total sales.
- Approximately 50 percent of these entities, or 50 restaurants, are assumed to have annual food sales below the minimum 15 percent threshold. As a result, these establishments will be licensed under the new limited service restaurant license proposed by this bill as amended.
- The price of the new license is \$6,000 per year. The price of the current license, for entities with 15 to 20 percent of total sales consisting of food sales, is \$4,000 per year.

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The recurring increase in state revenue to the Alcoholic Beverage Commission (ABC) Fund is estimated to be \$100,000 [50 licenses x (\$6,000 new proposed license rate - \$4,000 current license rate)].

- Fifty new establishments will become licensed in FY14-15 that would not have been licensed in the absence of the bill. As a result, there will be a recurring increase in state revenue estimated to be \$300,000 (50 new licensees x \$6,000 license fee) to the ABC Fund.
- The one-time application fee for these new licensees is \$300. The one-time increase in state revenue to the ABC Fund attributable to the application fees for FY14-15 is estimated to be \$15,000 (\$300 application fee x 50 new licensees).
- The total increase in state revenue to the ABC Fund in FY14-15 is estimated to be \$415,000 (\$100,000 + \$300,000 + \$15,000).
- Minimum of 25 new applicants each year beginning in FY15-16.
- The recurring increase in state revenue to the ABC Fund for FY15-16 and subsequent years is estimated to exceed \$557,500 {[((\$6,000 x 25) + (\$300 x 25) for FY15-16 new entrants] + [(\$300,000 + \$100,000) estimated recurring revenue from FY14-15]}.
- Any increase in administrative expenditures associated with the creation of the new license is estimated to be not significant.
- The ABC also indicates that agents spend a significant amount of time conducting audits to determine the ratio of sales for such entities. Passage of this bill is estimated to allow these agents a significant amount of time to focus on investigation of other types of violations. Any increase in revenue resulting from investigations is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/cce